

Minutes of the Blue Ribbon Panel for Transportation Funding
Meeting #5
July 10, 2008
8:30 am-10:35 am
Department of Administration – Conference Room A

Members Present: Jerome Williams, Dept. of Administration, Co-Chair
Michael Lewis, RIDOT, Co-Chair
Lloyd Albert, AAA
Robert Cusack, Preferred Asset Management, LLC
Peter Osborn, FHWA
William Sequino, Town Manager, East Greenwich
Robert Weygand, URI

Member Absent: John Gregory, Northern RI Chamber of Commerce; John Simmons, RIPEC; Gary Sasse, Dept. of Revenue; Keith Stokes, Newport Chamber of Commerce.

Staff: Maureen Gurghigian, Robert Shawver, Kazem Farhoumand, Diane Badorek, and Robert Letourneau

In Attendance: Phillip Kydd, Heidi Cote, Katherine Trapani, Bruce Landis, John-Paul Verducci, Carmela Corte, Robert A. Smith, Farhad Atash, Vincent Palumbo, Henry Schwarzbach, Bill Fazioli, Deborah Rosen., Doug Hales, Jennifer Wilcoxon, and Albert DellaBitta.

June 19, 2008 Meeting Minutes

The June 19, 2008 minutes were approved without revision.

Next Meeting:

The next meeting of the Blue Ribbon Panel is scheduled for July 24th.

Q&A on Public-Private Partnership Presentation: Michael Bartollotta, Vice Chairman, First Southwest Company

Due to technology issues with the hook-up for conference calling in the meeting room, this item will be rescheduled for a future meeting of the Panel. Maureen Gurghigian handed out a matrix of funding options to be considered by the Panel. The matrix was developed by First Southwest with input from FHWA, RIDOT staff, the URI Transportation Center and Panel members and was discussed as part of the presentation that followed by researchers from the URI Transportation Center. The matrix included fees, taxes, tolls, expenditure reallocations, and reallocation of transportation-type fees and taxes to the General Fund for transportation projects and identified the positive, negative and statutory requirements of each option. This information will be available on the BRP website.

Analysis of Alternatives: University of Rhode Island Transportation Center

Professor Doug Hales presented the preliminary findings from the research being conducted by the URI Transportation Center for the RIDOT. The presentation entitled “Sustainable Transportation Financing” began with selected criteria for evaluating funding options. The following criteria were reviewed in depth:

- Revenue yield
- Cost efficiency
- Equity (fairness)
- Organizational capacity
- Risk
- Political and Legal
- Technology
- Asset Management – Capital Costs.

Potential revenue sources for RIDOT are the reallocation of funds within RI, new income sources from outside RI, and retaining income currently leaving RI. Financial enhancements for RIDOT include:

- Gas tax
- Tolling
- Tag, license, and title fees dedicated to RIDOT
- Vehicle inspection fees
- Property tax on vehicles sales tax on vehicles
- Memorializing assets (naming opportunities).

Professor Hales then presented examples from selected profile states that are discussed frequently in the literature and compared them with the Rhode Island Profile. He noted that a major concern for RI and a few other states is that the debt to revenue ratio is presently 1:1. The outstanding debt has reached the annual revenue and it is one of the highest in the country. Further, if the ratio continues to worsen, RI will affect its ability to obtain new debt and adversely affect its bond ratings.

A list of funding options was discussed:

- Motor fuel taxes
- Vehicle registration fees
- Vehicle sales taxes
- Transportation sales taxes
- Tolls and congestion pricing
- Beneficiary shares (impact fees, special assessments, tax increment financing)
- Debt financing
- Public-Private Partnerships (PPPs)
- Vehicle miles of travel (VMT) taxes/fees
- Public-public Partnerships.

A listing of source information was provided to the Panel. This will be made available on the BRP website.

Professor Henry Schwarzbach presented a preliminary evaluation matrix for selected DOT revenue enhancement alternatives. He reviewed the funding options developed to date and indicated the positive or negative outcomes of each against the evaluation criteria. This matrix will be made available on the BRP website.

Discussion:

Truck Stop:

Researchers at URI presented a novel option of developing a premium truck stop in RI, similar to the truck stop at Exit 56 in CT on I-95. Having such a stop in RI could redirect truck traffic that now by-passes the State. RI could generate a greater share of the International Fuel Tax Allocation (ITFA) fees based on the miles of truck travel in RI, and entice truckers to stay longer and spend money in the state. Presently ITFA receipts go to the General Fund.

Public-Private Partnerships:

PPPs do not appear to be a panacea for generating funding to make DOTs solvent. The limited experience with these options has shown that the payoff typically is short-term and does not move DOTs out of a funding deficit position. To become solvent fiscally, it will take multiple approaches to provide sufficient funding for transportation in the near, mid and long term.

Gas Tax:

RI has one of the highest gas taxes in the nation but should be cognizant of its position relative to MA and CT. CT has recently increased its gas tax, and it has been recommended that MA should raise its gas tax by 11 cents to 34 cents. RI could increase its gas by 4-5 cents and still be competitive with its neighbors. However, the yield for these new higher taxes must be directed to a transportation fund to assist with meeting the needs of the State. A four to five cent increase could generate \$18-\$23 million each year and would be influenced by the decreasing trend in gas tax receipts due to cars attaining better gas mileage and the use of hybrids and fuel cells. This option would only provide a short-term solution to the funding need.

Registration Fees:

Currently fees are collected every 2 years. If the fee goes up \$10, it would be an annual increase of \$5 and be dedicated to transportation. Potential revenue would be about \$3-5 million.

Tolling:

Where to toll? What to toll? How much to toll? There are 40,000 vehicles per day at the RI/CT border on I-95, and a \$3 toll could realize \$43.8 million per year. Another toll could be installed near the intersection of I-95 and I-295. A toll of \$1.50 at each toll booth could realize \$75 million per year, less capital and operating costs of tolling (including debt service, operations of the facilities and fees for EZ Pass access). Administration of these tolling facilities could be by RIDOT, a contract with RITBA or through a PPP. An externality of tolling in RI would be increased traffic on local streets by drivers avoiding the tolling facilities. Over the long term, tolling does not keep up with costs unless periodic increases are included as part of this option. Current experience has shown that it is difficult to obtain public and political support and approval to toll existing facilities, although environmental organizations support tolling because it can reduce congestion and improve air quality.

Public-public Partnerships (P-PPs):

When developing a P-PP, it is critical to create a strong Board of Directors to monitor operations and keep the project afloat.

In General:

There is no single option that will meet the transportation funding needs for RI. A range of options need to be considered and evaluated for applicability to RI. Feasible options to generate funding in the near term (3-5 years), mid term (5-15 years), and long term (15+ years) need to be identified for consideration. Impacts due to changes in technology should be anticipated, such as the shift that will be made in the future from fuel tax charges to vehicle miles traveled (VMT) charges based on GPS monitoring. The long term approach could include the philosophy of reducing the carbon footprint in RI (reduce congestion and pollution) by providing incentives to drivers to switch to more fuel efficient, less polluting vehicles.

Next Step:

The URI research team will develop a net revenue estimation model for each funding option and conduct a sensitivity analysis against the criteria discussed above. Options will be categorized as near, mid or long term alternatives. It was also requested that the long term stability (capability to maintain revenue generating ability over time) be added to the matrix for all of the options. The matrix option model will be presented by URI at an August meeting for discussion by the Panel.

Report on the National Governors Association Meeting in Washington, DC

Both Robert Cusack (Panel member) and Robert Shawver (Panel staff) attended the meeting. Many of the presentations detailed how to implement PPPs and discussed the pitfalls to be avoided. Since it appears that the federal government will not be providing solutions for financing transportation, 37 states attended the conference to learn and share experiences about funding options and the potential of PPPs. It was noted that there is only three years of history for the PPP financing tool, so caution was recommended when considering this alternative.

- The states of RI and NJ have exhausted the debt strategy to finance transportation. All of NJ gas tax goes to debt service. In RI, 11 cents of RIDOT's 20.75 cents in gas tax goes to debt service.
- The State of Missouri is packaging 802 bridges that are estimated to cost \$1-3 million each to rehabilitate or replace and contracting with one company to perform this work. This approach will reduce duplication of effort and is estimated to have a 30 percent lower cost than rehabbing each bridge individually. The contract includes repair and maintenance of the 802 bridges for 25 years. This option will be explored to determine if this type of expenditure efficiency is applicable to RI.
- Stockholm, Sweden: The City proposed a toll to enter the city during peak periods to reduce congestion. A survey found that 70 percent of residents were opposed to establishing this type of toll. However, a poll that was taken following implementation of the toll found that the residents had overwhelmingly become in favor of it and wanted it to continue. To the residents, the benefit of reduced traffic congestion was worth the cost of the toll.